

General Overview:

The Dominican economy deteriorated in 2003 when GDP growth was -0.4%, inflation reached 43 percent and the exchange rate reached an all-time high of RD\$50 to US\$1.00. However, a new administration was sworn into office in August 2004. There is a commitment by the Fernandez administration to re-establish growth and competitiveness. There are already visible signs of growth, including an expansion among the country's banks. In fact, GDP grew by two percent in 2004 and the Dominican peso has appreciated to approximately RD\$28 to US\$1.



This recuperation has been the result of a tight monetary policy and the strengthening of fiscal measures by the Government of the Dominican Republic. These factors were critical to regain the confidence of the economic agents; there has been notable recovery in the exchange rate stability.

Market Overview

The Dominican Republic is the most significant market for hair care products in the Caribbean Region. With a population of 9.3 million, 70 percent is mixed with significant African influence. U.S. exporters interested in the Dominican market should take into consideration the tropical weather conditions of the country; therefore hair care products should be tropical tested.

The market for hair care products in the Dominican Republic significantly contracted in 2004 as a result of the economic problems, which the country experienced due to a banking crisis and a 100 percent depreciation of the local currency. U.S. exports to the Dominican Republic in 2003 reached \$3.8 million, decreasing to US\$2.6 million in 2004, but industry experts surveyed indicated that the market for U.S. hair care products will grow by 10 percent in 2005, especially if the Free Trade Agreement with the U.S. (CAFTA-DR) is ratified by both U.S. and D.R. Congresses, since hair care products would enter duty-free into the Dominican Republic.

Market Trends

During the last few years, Dominicans have become more receptive to sophisticated styles, especially for health and beauty products. As more Dominican women enter into the labor force and experience rising incomes, they have begun to embrace a better lifestyle, in particular a preference for imported hair care products. This rising trend, along with heightened interest in the use of hair colors; permanent waving, deep treatment and other hair care products by Dominican men, has helped spike market demand for cosmetic imports, resulting in business opportunities for U.S. suppliers. U.S. cable broadcast television is commonly viewed in the Dominican Republic and helps create market awareness for U.S. hair care products.

Natural products are also receiving more attention from Dominican consumers, as people become more aware of the variety of foreign natural products, such as herbal shampoos, fruit hair treatments, etc., which are available in the market place. Products for children are also gaining acceptance among Dominican consumers.

The hair care products market is developed in the Dominican Republic and it will grow at the same pace as women continue to enter the work force. Market conditions such as the proliferation of beauty salons, the opening of large department stores and new pharmacy chains in the Dominican Republic indicate that hair care products will grow again soon.

Hair care products present in the Dominican market are divided in two main groups:

- Professional products: used only in authorized beauty centers and distributed by local distributors or agents.
- Mass-market: sold in department stores, pharmacies, supermarkets, cosmetic centers, door-to-door sales, among others.

According to industry sources consulted for this report, a product successfully marketed in the United States would not necessarily be successful in the Dominican Republic, the weather conditions and the type of hair of the majority of Dominican population (70% mixed with African origin) are determinant factors for a product to be accepted by the Dominican population. U.S. companies in the hair care sub-sector should conduct careful research when approaching the Dominican market.

Import Market

Imports of hair care products account for 70 percent of the total market in the Dominican Republic. Purchases from the United States represent 53 percent of all imports. Customers' brand preference, general quality and geographic proximity are primary reasons for this market share. European countries, such as France, Spain, Italy, and Germany, are also significant suppliers to the Dominican market accounting for approximately 40 percent of the import market. Other countries account for 7 percent, led by Venezuela and Mexico.

Hair Care Products Import Market Share (%)

Country of origin	2003
United States	53
Italy	15
Spain	12
Germany	8
France	6
Other countries	6

Source: Statistical information was estimated based on interviews with industry representatives

In 2004, local distributors of Italian and Spanish hair care products developed an intense marketing strategy. They designed aggressive campaigns by visiting the beauty centers, launching new hair care lines and offering free samples to potential buyers, among other sales strategies.

Competition

The main suppliers imported hair care products are: U.S. 53%, Italy 15%, Spain 12%, Germany, France 6%, and other 6%.

Receptivity for U.S. cosmetics and beauty products is higher because of their reputation for their excellent quality. Many U.S. leading brands are present in the Dominican market. Competitive factors that have a major bearing on the market are price and quality.

The recent introduction of new trademarks such as: Sedal (Brazil), Gaia (Spain), Keune (Italy), Motion (UK), etc., show confidence in the Dominican market. Currently those products are being successfully marketed in the Dominican Republic.

Third-country leading trademarks currently present in the Dominican market are the following:

- **Italy**

Claxon Line, Seri Color, Structura, Natura-Ricerca, AlfaParf, Kurz, Vitalitys, and Semi Dilino., Luciano Conti, Rolland.

- **Brasil**

Sedal, distributed by Unilever Caribe.

- **Spain**

Salerm, Salerm Biokera, Alterego, Gaia.

- **France**

L'Oreal, (Feria, Kerastase) and Ebel.

- **Germany**

Wella, Bonawell, Kolzil, Glatt, Igora.

- **United Kingdom**

Albert Culber (TCB, Motion).

- **Holland**

Keune



Local Production

There is no official data on local production. However, according to industry sources, local production accounts for approximately 44 percent of the total market, reaching approximately US\$4.5 million in 2003, of which approximately US\$1.5 million was exported to United States of America, Puerto Rico and other Caribbean islands.

It is important to note that while imported cosmetics are present and are well-received by customers in the major metropolitan areas of Santo Domingo and Santiago, locally manufactured products often dominate in the less sophisticated markets of smaller cities and towns throughout the Dominican Republic.

The leading Dominican brands are: Lafier, Nacidit, Avlon, Miss Key, Capilo, Lafier, MQ, Queratex, Bio-Complex, Crystal Color, Perma Strate, Perma Color, Tropical, Rysell, Toque Final, Yssac Color, Cristian Fior, BPT, Mullier, Velan, Avanti, and Stoken Gold.

Sales Prospects

The best sales prospects are:

- Shampoos for dry to normal hair
- Neutralizing shampoos
- Rinses
- Hair colors
- Leave-in conditioners
- Hair relaxers
- Conditioner creams
- Hair deep treatments
- Hair gels
- Children products (relaxers, shampoos, conditioners, etc.)



Market Access

The general import climate in the Dominican Republic is favorable, the dollar exchange rate has stabilized over the last six months and importers can obtain hard currency easily.

Importers of hair care products must be registered at the Division de Drogas y Farmacias, Secretaria de Estado de Salud Publica (Division of Drugs and Pharmaceuticals, Secretariat of State for Public Health).

Product Registration

Product registration in the Dominican Republic is an arduous exercise, and has to be requested by the local office of the foreign company, or its agent or distributor. The registration takes approximately 90 days to be completed after the registration is requested. The documentation required for registering a foreign product is available upon request from:

**Secretaría de Estado de Salud Pública y Asistencia Social
Dirección de Drogas y Farmacias**

Av. San Cristóbal No. 48

Ens. La Fe

Santo Domingo, Dominican Republic

Phone: 809/ 541-3121 ext. 2266

Fax: 809/ 566-8737

E-mail: digedrofar@yahoo.com

Import duties levied on hair care products are 20 percent of the CIF price (Cost+Insurance+Freight). Other taxes collected at the Dominican Customs are: a 13 % of Exchange Surcharge, and 16 % VAT called Tax to the Transfer of Industrial Products and Services (ITBIS). No exceptions are applied to hair care products, all categories are subject to tax.

To help U.S. exporters to calculate taxes and fees applicable to hair care products we have prepared the following sample for a product with \$100.00 price:

Direct Imports Costs template

Base Price	US\$100.00
Exchange to pesos (US\$1.00=RD\$28.56*) (*) Official Exchange rate at Dominican Customs 4/17/05	RD\$2,856.00
Freight & Insurance (average 8%)	RD\$228.48
Dutiable Base = CIF in RD\$ pesos	RD\$3,084.48
20 percent Duty Rate (Arancel) - Exchange surcharge 13 of CIF - VAT Base	RD\$616.90 RD\$400.98 RD\$4,102.36
VAT = ITBIS 16%	RD\$656.38
Freight Forwarders fees (1.5% on CIF)	RD\$46.27
Bank Charges - Draft of letter of credit 2% of CIF	RD\$61.69
Landed Cost	RD\$4,866.70

In order to introduce new products to this market, it is strongly recommended that U.S. companies provide the leading buyers with sales materials and samples. Promoting products in trade fairs and professional publications will provide suppliers with extra exposure. Invitations to U.S. trade shows are also suggested. Advertising in local newspapers also would expand product knowledge with local customers.



Many Dominican importers are eager to represent U.S. companies. However, U.S. exporters are advised to become familiar with the Dominican Agents and Distributors Protection Law (Law 173 dated April 6, 1966) before entering into any exclusive distribution agreement. Copies of the Law are available from the Commercial Section of the U.S. Embassy.



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The U.S. Commercial Service offers comprehensive, customized solutions to your international trade challenges and provides export promotion assistance through a variety of products and services. The U.S. Commercial Service office in Santo Domingo is the regional headquarters for Commerce Department programs in the Caribbean.

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